



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY


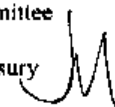


State Capital  
Nashville, Tennessee 37243-0980  
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John G. Morgan  
Comptroller

December 6, 2005

Memorandum

TO: Governor Phil Bredesen  
  
Chairman Douglas Henry, Jr.  
Senate Finance, Ways, & Means Committee  
  
Chairman Craig Fitzhugh  
House Finance, Ways, & Means Committee

FROM: John Morgan, Comptroller of the Treasury   
Riley Darnell, Secretary of State   
Dale Sims, State Treasurer   
M.D. Goetz, Jr., Commissioner  
Department of Finance & Administration 

SUBJECT: Revenue Estimates for FY 2005-06 and FY 2006-07

The State Funding Board met on November 30 and December 6, 2005 to hear presentations on, and to engage in discussions about, the State's near-term economic outlook for the fiscal years 2005-06 and 2006-07. During this meeting, the Board heard economic testimony from Dr. William Fox of The University of Tennessee, Dr. Albert DePrince of Middle Tennessee State University, Dr. Jeff Wallace and Dr. Richard Evans of the University of Memphis, Mr. Jim White of the Fiscal Review Committee, and Mr. Reid Linn of the State Department of Revenue. The state tax revenue estimates provided by each of the presenters are summarized in two attachments to this memorandum.

The Board is charged with responsibility to develop consensus ranges of state revenue growth. In doing so, the Board evaluates and interprets economic data and revenue forecasts supplied by various economists as well as persons acquainted with the

Tennessee revenue system. Since this is a revenue estimation process and **not** a budgeting process, the Board does not take into consideration the State's fiscal situation when developing its consensus ranges of revenue growth. Fiscal considerations properly belong with those who set the State's revenue estimates - the Administration that recommends appropriation levels based upon its assessment of revenue growth and the General Assembly that adopts a *de facto* revenue estimate through its final action on the appropriations bill.

The consensus is that the economy is growing, but problems remain. The lack of an educated workforce, or the existence of an undereducated workforce, works against the Tennessee economy in many ways. Tennessee is less able to attract companies needing a large and consistent pool of technically proficient workers and workers with advanced degrees. Tennessee has experienced some job growth, but it has been spotty and has been substantially in low wage jobs. Tennessee's tax system depends upon healthy growth in sales tax collections. Such growth is in turn dependent on growth in per capita income resulting in increased discretionary income.

Presenters acknowledged the negative impact from the increase in interest rates and in the price of gas and heating oil. Housing starts are slackening but not dramatically dropping off. The demand for construction (materials and labor) needed in the wake of the recent hurricanes has driven up this cost throughout the southeast. The State has benefited from increased tax collections due to the growth in this sector during the past few years; however, the State cannot count on such continued incremental growth over the short-term. Despite these negative impacts, many households are not saving and are continuing to spend without significant growth in personal income, perhaps in part relying on real property investment (increased real property values).

Presenters also acknowledged the unpredictability of the franchise and excise taxes (as is experienced throughout the other states). Nationally, corporate tax collections are strong. Tennessee's franchise and excise tax collections are outperforming the economy, indicating that state tax law changes have improved the base. However, it is likely that continued changes to the statutes will be needed as corporate taxpayers create ways to avoid the taxes.

In terms of state revenue forecasts, all presenters believed the state would experience modest revenue growth during both fiscal years 2005-06 and 2006-07. For fiscal year 2005-06, estimates from four of the five presenters for total revenue growth range from 4.31% to 4.83%; the fifth estimate of 3.45% is not included due to certain assumptions embedded in the economic forecasting model that was used. For fiscal year 2006-07, estimates from four of the five presenters for total revenue growth range from 3.57% to 4.32%; the fifth estimate of 5.36% is not included.

Based on the testimony received and the Board discussions, the Board developed the following consensus estimates expressed in ranges of growth rates in State tax revenue collections. The following table summarizes these estimates:

	FY 2005-06		FY 2006-07	
	Low	High	Low	High
Total State Taxes	4.60%	4.85%	3.50%	4.00%
General Fund Only	4.65%	4.90%	3.80%	4.30%

The Board believes these consensus revenue growth ranges to be reasonable and appropriate for use in state budgeting. Note, the ranges for fiscal year 2005-06 have been increased from those we presented in April 2005, and are to be applied to the higher beginning base resulting from overcollection of revenues in the prior fiscal year. As in past years, the Board intends to revisit these estimates prior to the General Assembly's final budget deliberations. Each of you will be advised of any revisions made by the Board at that time.

Additionally, the State Funding Board received presentations regarding the Tennessee Education Lottery (TEL). Legislation in 2003 created the Tennessee Education Lottery Corporation (TELC) (Tennessee Code Annotated Sections 4-51-101 et seq.) Tennessee Code Annotated Section 4-51-111(c) requires the Board to establish a projected revenue range for the "Net Lottery Proceeds" [defined in Section 4-51-102(14)] for the remainder of the current fiscal year and for the succeeding fiscal year. Mr. Robert Currey, Fiscal Analyst, with the Fiscal Review Committee (FRC) presented the Board the FRC's projections. Mr. Currey reviewed the fiscal year 2004-05 performance of the TEL, including \$227,400,000 in Net Lottery Proceeds. Mr. Currey indicated that the reasons for higher than expected fiscal year 2005-06 revenues to date were: higher prize payout strategy, addition of CASH 4 game, and nine consecutive \$100,000,000+ Powerball jackpots (including a record \$340,000,000). He additionally forecasted continuing increased revenues for the fiscal year due to continued higher prize payout strategy, Powerball matrix change, and mid-day drawings for CASH 3 and 4. Mr. Currey cautioned that long-term use of a higher payout strategy could lead to the point where subsequent increases to the prize payout ratio will have no or negative effect (the incremental revenue is less than the incremental increase in expenses).

For fiscal year 2005-06, the FRC projected a 6.86% growth rate in Net Revenue, a 1% population growth rate, an 8.15% growth rate in expenses as a percent of revenue constant, and a 3.67% growth rate in Net Lottery Proceeds. For fiscal year 2006-07, the FRC projected a 1.60% growth rate in Net Revenue, a 1% population growth rate, a 1.60% growth rate in expenses as a percent of revenue constant, and a 1.60% growth rate in Net Lottery Proceeds. The mean estimate of Net Lottery Proceeds available for deposit into the Education Account for fiscal year 2005-06 is \$235,800,000 and for fiscal year 2006-07 is \$239,600,000. Both amounts are 28% of Net Revenue. Caution was

expressed that revenues that become available for pre-school and after-school programs should not be considered a recurring revenue source at a certain level and expenditures of these funds should be for non-recurring items.

The Board additionally heard from Ms. Rebecca Paul, the Chief Executive Officer and President, Mr. Steve Adams, the Chief Operating Officer, and Mr. Andy Davis, Chief Financial and Technology Officer of the TELC. The aggregate deposit to the Education Account through October 2005 was \$438,510,000. There are currently approximately 4,400 retailers, down from last year; this number was expected to grow with the maturity of the lottery. The TELC is continuing to estimate approximately 2% of prizes (excluding jackpot prizes) to be the estimated amount for unclaimed prizes; 50% of which is to be deposited into the "after school programs special account" at the end of each fiscal year. Lottery sales from January 2004 to October 2005, have generated \$8,920,000 due to the after school programs special account.

Net Revenue through October 31, 2005 for fiscal year 2005-06 was \$292,900,000. The TELC's estimate of Net Lottery Proceeds available for deposit into the Education Account for fiscal year 2005-06 is from a low of \$233,900,000 to a high of \$238,700,000; and for fiscal year 2006-07 is from a low of \$238,500,000 to a high of \$243,500,000. These amounts are 28.3% and 28% respectively of Net Revenue.

The Board then heard from Dr. Brian Noland, Assistant Executive Director of Academic Affairs, of the Tennessee Higher Education Commission, and Dr. Robert Ruble, Executive Director of the Tennessee Student Assistance Corporation. In fiscal year 2004-05, there were 40,225 awards in the TEL Scholarship program, with an actual cost of \$93,416,022. Dr. Noland projected for fiscal year 2005-06, there will be 61,245 awards in the TEL Scholarship program, with a projected cost of \$168,066,080; and for fiscal year 2006-07, there will be 72,571 awards, with a projected cost of \$206,172,383. The updated projections reflect statutory changes made during the 2005 legislative session to the scholarship criteria and award amounts.

The estimates provided by each of the presenters are summarized in an attachment to this memorandum. Given the volatility of lottery sales contrasted with the recurring nature of scholarships, the Board consensus was that estimates should continue to be conservative in nature until such time that more experience is gained in Tennessee. Consensus was reached on the following estimates of the range for net proceeds of lottery revenues to be deposited in the Lottery for Education Account, to be used for the various statutory purposes:

NET LOTTERY PROCEEDS		
	<u>Low</u>	<u>High</u>
FY 2005-06	\$233,900,000	\$238,700,000
FY 2006-07	\$238,500,000	\$243,500,000

Note, this is an upward revision from our April estimates.

Tennessee Code Annotated Section 4-51-111(c)(2)(B) states:

Before December 15, 2003, and before December 15 in each succeeding year, appropriate state agencies shall submit to the funding board and to the governor their recommendations for other educational programs and purposes consistent with article XI, § 5 of the Tennessee Constitution based on the difference between the funding board's projections and recommendations for the lottery scholarship program based on the report submitted pursuant to subdivision (c)(2)(A). In no event shall such recommendations exceed the projections of the funding board for a specific fiscal year.

Attached are copies of two letters received to date pursuant to this statutory section.

The estimates of the net lottery proceeds will be revisited at the time the State Funding Board considers revisions to the ranges of State revenue estimates prior to the adoption of the State's Appropriations Act. As indicated previously, each of you will be advised of any revisions made by the Board at that time.

Each of us stands ready to discuss this further at your convenience.

Attachments

Revenue Estimates (2)  
Lottery Estimates  
Funding Request Letters (2)

cc. The Honorable John S. Wilder  
The Honorable Jimmy Naifeh

COMPARISON OF ESTIMATED STATE TAX REVENUE FOR  
FISCAL YEAR 2005-2006  
(Accrual - Basis Estimates)

Schedule 1

2005-2006													
DEPARTMENT OF REVENUE	2004-2005	% CHANGE		% CHANGE		% CHANGE		% CHANGE		% CHANGE		% CHANGE	
SOURCE OF REVENUE	ACTUAL ACCRUAL	BUDGETED ESTIMATE	OVER 04-05 ACTUAL	DR. FOX ESTIMATE	OVER 04-05 ACTUAL	FISCAL REVIEW ESTIMATE	OVER 04-05 ACTUAL	DR. DePRINCE ESTIMATE	OVER 04-05 ACTUAL	DR. EVANS ESTIMATE	OVER 04-05 ACTUAL	REVENUE DEPT. ESTIMATE	OVER 04-05 ACTUAL
Sales and use Tax	\$ 6,091,545,800	\$ 6,346,000,000	4.18%	\$ 6,432,000,000	5.59%	\$ 6,420,489,000	5.40%	\$ 6,359,800,000	4.40%	\$ 6,363,000,000	4.46%	\$ 6,383,900,000	4.80%
Gasoline Tax	608,050,800	600,000,000	-1.32%	608,100,000	0.01%	612,314,000	0.70%	612,500,000	0.73%	614,000,000	0.98%	600,100,000	-1.31%
Motor Fuel Tax	173,682,100	174,100,000	0.24%	178,900,000	3.00%	178,273,000	2.64%	177,200,000	2.03%	178,000,000	2.49%	174,000,000	0.18%
Gasoline Inspection Tax	63,634,400	64,800,000	1.83%	64,500,000	1.36%	64,331,000	1.09%	66,800,000 *	4.97%	65,000,000	2.15%	64,800,000	1.83%
Motor Vehicle Registration Tax	244,153,800	257,000,000	5.26%	254,000,000	4.03%	253,920,000	4.00%	256,400,000	5.02%	252,000,000	3.21%	257,100,000	5.30%
Income Tax	155,919,100	162,200,000	4.03%	165,300,000	6.02%	166,833,000	7.00%	162,400,000	4.16%	170,000,000	9.03%	162,200,000	4.03%
Privilege Tax - Less Earmarked Portion	264,933,100	263,600,000	-0.50%	283,500,000	7.01%	286,128,000	8.00%	266,700,000 (1)	0.67%	291,000,000 (1)	9.84%	297,300,000	12.22%
Gross Receipts Tax - TVA	216,214,800	220,500,000	1.98%	221,400,000	2.40%	219,714,000	1.62%	220,500,000 **	1.98%	220,000,000	1.75%	220,000,000	1.75%
Gross Receipts Tax - Other	19,669,400	18,100,000	-7.98%	20,700,000	5.24%	20,850,000	6.00%	23,000,000	16.93%	22,000,000	11.85%	18,000,000	-8.49%
Beer Tax	17,254,900	17,700,000	2.58%	17,500,000	1.42%	17,514,000	1.50%	18,200,000 *	5.48%	18,000,000	4.32%	17,700,000	2.58%
Alcoholic Beverage Tax	37,115,700	37,400,000	0.77%	38,000,000	2.38%	38,600,000	4.00%	38,500,000 *	3.73%	38,000,000	2.38%	37,400,000	0.77%
Franchise & Excise Taxes	1,371,998,000	1,358,400,000	-0.99%	1,420,000,000	3.50%	1,440,598,000	5.00%	1,388,600,000	1.21%	1,480,000,000	7.87%	1,439,200,000	4.90%
Inheritance and Estate Tax	82,890,400	92,000,000	10.99%	84,000,000	1.34%	87,864,000	6.00%	94,800,000 *	14.37%	86,000,000	3.75%	92,000,000	10.99%
Tobacco Tax	120,512,200	116,000,000	-3.74%	121,000,000	0.40%	121,115,000	0.50%	119,500,000 *	-0.84%	121,000,000	0.40%	116,100,000	-3.66%
Motor Vehicle Title Fees	11,396,200	11,600,000	1.79%	11,400,000	0.03%	11,567,000	1.50%	12,000,000 *	5.30%	12,000,000	5.30%	11,600,000	1.79%
Mixed Drink Tax	43,142,900	44,900,000	4.07%	45,700,000	5.93%	45,731,000	6.00%	46,300,000 *	7.32%	45,000,000	4.30%	44,900,000	4.07%
Business Tax	114,662,900	102,700,000	-10.43%	119,400,000	4.13%	116,383,000	1.50%	105,800,000 *	-7.73%	117,000,000	2.04%	115,600,000	0.82%
Severance Tax	1,405,300	1,000,000	-28.84%	1,400,000	-0.38%	1,500,000	6.74%	1,000,000 *	-28.84%	2,000,000	42.32%	1,600,000	13.85%
Coin Operated Amusement Tax	349,700	800,000	128.77%	300,000	-14.21%	400,000	14.38%	800,000 *	128.77%	0	NA	800,000	128.77%
Unauthorized Substance Tax	65,800	400,000	NA	100,000	NA	450,000	NA	400,000 *	NA	0	NA	0	NA
TOTAL DEPARTMENT OF REVENUE	\$ 9,638,597,300	\$ 9,889,200,000	2.60%	\$ 10,087,200,000	4.65%	\$ 10,104,574,000	4.83%	\$ 9,971,200,000	3.45%	\$ 10,094,000,000	4.72%	\$ 10,054,300,000	4.31%
GENERAL FUND ONLY (2)	\$ 8,057,205,000	\$ 8,257,800,000	2.49%	\$ 8,435,200,000	4.69%	\$ 8,450,074,000	4.88%	\$ 8,316,400,000	3.22%	\$ 8,439,900,000	4.75%	\$ 8,416,300,000	4.46%
Budgeted Est. Compared to New Est. - Total				\$ 198,000,000		\$ 215,374,000		\$ 82,000,000		\$ 204,800,000		\$ 165,100,000	
Budgeted Est. Compared to New Est. - Gen. Fund				\$ 177,400,000		\$ 192,274,000		\$ 58,600,000		\$ 182,100,000		\$ 158,500,000	

SELECTED TAXES	ACTUAL	BUDGETED	%	DR. FOX	%	FISCAL REVIEW	%	DR. DePRINCE	%	DR. EVANS	%	REVENUE DEPT.	%
SALES AND USE TAX	\$ 6,091,545,800	\$ 6,346,000,000	4.18%	\$ 6,432,000,000	5.59%	\$ 6,420,489,000	5.40%	\$ 6,359,800,000	4.40%	\$ 6,363,000,000	4.46%	\$ 6,383,900,000	4.80%
FRANCHISE AND EXCISE TAXES	1,371,998,000	1,358,400,000	-0.99%	1,420,000,000	3.50%	1,440,598,000	5.00%	1,388,600,000	1.21%	1,480,000,000	7.87%	1,439,200,000	4.90%
INCOME TAX	155,919,100	162,200,000	4.03%	165,300,000	6.02%	166,833,000	7.00%	162,400,000	4.16%	170,000,000	9.03%	162,200,000	4.03%
ROAD USER TAXES	1,089,521,100	1,095,900,000	0.59%	1,105,500,000	1.47%	1,108,838,000	1.77%	1,112,900,000	2.15%	1,109,000,000	1.79%	1,096,000,000	0.59%
ALL OTHER TAXES	929,613,300	926,700,000	-0.31%	964,400,000	3.74%	967,816,000	4.11%	947,500,000	1.92%	972,000,000	4.56%	973,000,000	4.67%

(1) Privilege Tax estimates are reduced by \$32 million for the earmarked portion of the tax.  
(2) F&A calculated the General Fund distribution for all presenters.  
\* F&A distributed taxes for Dr. DePrince based on ratios for budgeted collections for 2005-2006.  
\*\* F&A distributed the Gross Receipts Taxes for Dr. DePrince based on anticipated TVA collections in 2005-2006.

COMPARISON OF ESTIMATED STATE TAX REVENUE FOR  
FISCAL YEAR 2006-2007

(Accrual - Basis Estimates)

Schedule 2

DEPARTMENT OF REVENUE		% CHANGE		% CHANGE		% CHANGE		% CHANGE		% CHANGE
SOURCE OF REVENUE	DR. FOX ESTIMATE	OVER 05-06 ESTIMATE	FISCAL REVIEW ESTIMATE	OVER 05-06 ESTIMATE	DR. DePRINCE ESTIMATE	OVER 05-06 ESTIMATE	DR. EVANS ESTIMATE	OVER 05-06 ESTIMATE	REVENUE DEPT. ESTIMATE	OVER 05-06 ESTIMATE
Sales and use Tax	\$ 6,740,700,000	4.80%	\$ 6,709,411,000	4.50%	\$ 6,649,900,000	4.56%	\$ 6,700,000,000	5.30%	\$ 6,626,500,000	3.80%
Gasoline Tax	608,700,000	0.10%	618,437,000	1.00%	619,700,000	1.18%	620,000,000	0.98%	607,300,000	1.20%
Motor Fuel Tax	184,300,000	3.02%	183,621,000	3.00%	183,500,000	3.56%	182,000,000	2.25%	177,500,000	2.01%
Gasoline Inspection Tax	65,800,000	2.02%	65,618,000	2.00%	68,800,000 *	2.99%	66,000,000	1.54%	65,600,000	1.23%
Motor Vehicle Registration Tax	259,000,000	1.97%	261,538,000	3.00%	263,000,000	2.57%	257,000,000	1.98%	259,900,000	1.09%
Income Tax	175,200,000	5.99%	175,175,000	5.00%	169,400,000	4.31%	187,000,000	10.00%	162,500,000	0.18%
Privilege Tax - Less Earmarked Portion	292,000,000	3.00%	294,712,000	3.00%	300,900,000 (1)	12.82%	323,000,000 (1)	11.00%	318,700,000	7.20%
Gross Receipts Tax - TVA	228,000,000	2.98%	224,767,000	2.30%	220,500,000 **	0.00%	227,000,000	3.18%	222,500,000	1.14%
Gross Receipts Tax - Other	21,800,000	5.31%	21,684,000	4.00%	31,300,000	36.09%	24,000,000	9.09%	19,500,000	8.33%
Beer Tax	17,700,000	1.14%	17,829,000	1.80%	18,800,000 *	3.30%	18,000,000	0.00%	17,900,000	1.13%
Alcoholic Beverage Tax	38,400,000	1.05%	39,565,000	2.50%	39,700,000 *	3.12%	39,000,000	2.63%	38,900,000	4.01%
Franchise & Excise Taxes	1,448,400,000	2.00%	1,498,222,000	4.00%	1,444,100,000	4.00%	1,598,000,000	7.97%	1,501,100,000	4.30%
Inheritance and Estate Tax	84,000,000	0.00%	89,621,000	2.00%	97,600,000 *	2.95%	91,000,000	5.81%	97,100,000	5.54%
Tobacco Tax	121,000,000	0.00%	121,115,000	0.00%	123,100,000 *	3.01%	123,000,000	1.65%	117,300,000	1.03%
Motor Vehicle Title Fees	11,800,000	3.51%	11,798,000	2.00%	12,300,000 *	2.50%	12,000,000	0.00%	11,800,000	1.72%
Mixed Drink Tax	48,500,000	6.13%	47,560,000	4.00%	47,700,000 *	3.02%	48,000,000	6.67%	47,500,000	5.79%
Business Tax	124,300,000	4.10%	118,711,000	2.00%	109,000,000 *	3.02%	118,000,000	0.85%	119,400,000	3.29%
Severance Tax	1,400,000	0.00%	1,500,000	0.00%	1,100,000 *	10.00%	2,000,000	0.00%	1,600,000	0.00%
Coin Operated Amusement Tax	300,000	0.00%	400,000	0.00%	800,000 *	0.00%	0	NA	600,000	-25.00%
Unauthorized Substance Tax	100,000	NA	500,000	NA	400,000 *	NA	0	NA	0	NA
TOTAL DEPARTMENT OF REVENUE	\$10,471,400,000	3.81%	\$10,501,784,000	3.93%	\$ 10,401,600,000	4.32%	\$10,635,000,000	5.36%	\$10,413,200,000	3.57%
GENERAL FUND ONLY (2)	\$ 8,788,400,000	4.19%	\$ 8,811,184,000	4.27%	\$ 8,711,100,000	4.75%	\$ 8,942,700,000	5.96%	\$ 8,749,000,000	3.95%
Growth over FY 06 Budgeted Est. - Total	\$582,200,000		\$612,584,000		\$512,400,000		\$745,800,000		\$524,000,000	
Growth over FY 06 Budgeted Est. - Gen. Fund	\$530,600,000		\$553,384,000		\$453,300,000		\$684,900,000		\$491,200,000	

SELECTED TAXES	DR. FOX	%	FISCAL REVIEW	%	DR. DePRINCE	%	DR. EVANS	%	REVENUE DEPT.	%
SALES AND USE TAX	\$ 6,740,700,000	4.80%	\$ 6,709,411,000	4.50%	\$ 6,649,900,000	4.56%	\$ 6,700,000,000	5.30%	\$ 6,626,500,000	3.80%
FRANCHISE AND EXCISE TAXES	1,448,400,000	2.00%	1,498,222,000	4.00%	1,444,100,000	4.00%	1,598,000,000	7.97%	1,501,100,000	4.30%
INCOME TAX	175,200,000	5.99%	175,175,000	5.00%	169,400,000	4.31%	187,000,000	10.00%	162,500,000	0.18%
ROAD USER TAXES	1,117,800,000	1.11%	1,129,214,000	1.84%	1,135,000,000	1.99%	1,125,000,000	1.44%	1,110,300,000	1.30%
ALL OTHER TAXES	989,300,000	2.58%	989,762,000	2.27%	1,003,200,000	5.88%	1,025,000,000	5.45%	1,012,800,000	4.09%

(1) Privilege Tax estimates are reduced by \$32 million for the earmarked portion of the tax.

(2) F&A calculated the General Fund distribution for all presenters.

\* F&A distributed taxes for Dr. DePrince based on ratios for budgeted collections for 2005-2006.

\*\* F&A distributed the Gross Receipts Taxes for Dr. DePrince based on anticipated TVA collections in 2005-2006.

**Estimated Revenues Based on Growth Rates  
State Funding Board Staff Recommendation  
December 2005 Meeting**

	<u>FY 2005-2006</u>	<u>Growth Rate</u>	<u>FY 2006-2007</u>	<u>Growth Rate</u>
<b>Total Taxes</b>	\$ 10,082,000,000	4.60%	\$ 10,434,900,000	3.50%
			\$ 10,485,300,000	4.00%
	\$ 10,106,100,000	4.85%	\$ 10,459,800,000	3.50%
			\$ 10,510,300,000	4.00%
<b>General Fund</b>	\$ 8,431,900,000	4.65%	\$ 8,752,300,000	3.80%
			\$ 8,794,500,000	4.30%
	\$ 8,452,000,000	4.90%	\$ 8,773,200,000	3.80%
			\$ 8,815,400,000	4.30%



**State Funding Board  
Net Lottery Proceeds Estimates  
Actual 2004-2005 and Estimated 2005-2006 and 2006-2007  
December 2005**

	<b>2004-2005 Actual</b>	<b>2005-2006 Revised</b>	<b>%</b>	<b>2006-2007</b>	<b>%</b>
Lottery Corporation					
Low	227,423,000	233,909,000	2.85%	238,500,000	1.96%
High	227,423,000	238,700,000	4.96%	243,500,000	2.01%
Fiscal Review Staff					
Low	227,423,000	229,400,000	0.87%	233,100,000	1.61%
High	227,423,000	242,200,000	6.50%	246,000,000	1.57%
Point Estimate	227,423,000	235,766,600	3.67%	239,538,800	1.60%
<b>Recommended Range</b>					
<b>Low</b>	<b>227,423,000</b>	<b>233,900,000</b>	<b>2.85%</b>	<b>238,500,000</b>	<b>1.97%</b>
<b>High</b>	<b>227,423,000</b>	<b>238,700,000</b>	<b>4.96%</b>	<b>243,500,000</b>	<b>2.01%</b>